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Peru: Ultranationalist leftists are reported to be consolidating their position in the military government.

The influence of moderates within the government has been eroded by the recent resignation of two cabinet ministers and the lack of decisive action by Prime Minister Montagne. At the same time, new appointments, such as General Fernandez Maldonado to the newly created Ministry of Mines and Energy, have served to strengthen the ultranationalist and leftist supporters of President Velasco. The Ministry of Mines will have direct influence on US interests in Peru, and the expected appointment of at least two of the President's extreme leftist advisers to important positions within the ministry indicates that this influence will probably be hostile.

The editor of the influential daily El Commercio, who describes himself and Velasco's other advisers as "Catholic social reformers," has told a US Embassy official that under no circumstances will Peru pay any compensation to the International Petroleum Company nor submit the IPC controversy to mediation or review "by anybody." He stated further that the "palace group" is convinced that the US will not impose economic sanctions but that contingency plans are ready in the event that the

tingency plans are ready in the event that the
Hickenlooper Amendment is invoked.

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